



YOSEMITE  
FROM THE  
MARIPOSA  
TRAIL





# Special Taxes and Fees

**I**n 2004-05, the Board administered 20 special tax and fee programs that encompass a broad range of activities and transactions. Revenues from the insurance tax and alcoholic beverage tax and a portion of cigarette tax receipts are allocated to the state's General Fund. Other special taxes and fees fund specific state services, from highway construction to recycling programs. The Board administers more than half of the special taxes programs in cooperation with other state agencies.

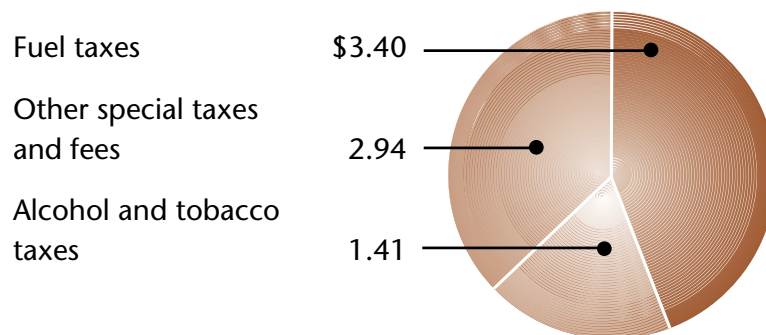
## Revenues

Board-administered special taxes program revenues totaled \$7.74 billion in 2004-05, an increase of 3.4 percent from 2003-04 total revenues of \$7.49 billion. Fuel taxes totaled \$3.40 billion, while alcohol and tobacco taxes totaled \$1.41 billion.

Revenue information for each program is found in the next section of this chapter and in the [foldout chart](#) inside the back cover.

### 2004-05 Special Tax and Fee Revenues

Billions of Dollars





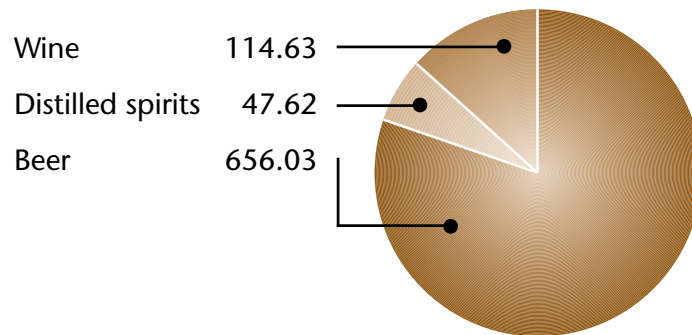
## Programs

This section includes information regarding program revenue, significant program highlights, and the number of program registrants. More detailed information regarding individual tax and fee programs is found in the [foldout tax chart](#) inside the back cover of this report. The chart includes information on what is taxed or licensed, who pays, tax and fee rates, year-to-year revenue changes, and how tax revenues from each program are used on behalf of California residents.

### Alcoholic Beverage Tax

Alcoholic beverage tax revenues totaled \$314.27 million in 2004-05, a 0.5 percent increase from 2003-04. Program registrants numbered 4,087 at the end of the fiscal year.

#### 2004-05 Alcoholic Beverage Apparent Consumption Millions of Gallons



### California Tire Fee

Revenues totaled \$47.65 million in 2004-05. At fiscal year end, 12,371 businesses were registered for the program, which the Board administers in cooperation with the Integrated Waste Management Board.

### Childhood Lead Poisoning Prevention Fee

In 2004-05, fee collections totaled \$11.90 million. At the end of the fiscal year, 960 feepayers were registered for the program. The Board administers this fee in cooperation with the Department of Health Services.



## **Cigarette and Tobacco Products Licensing Program**

On January 1, 2004, the Board began administering this program, which requires statewide licensing of all distributors, wholesalers, and retailers of cigarette and tobacco products as well as cigarette manufacturers and importers. License revenues for 2004-05 totaled \$2.94 million. At the end of the fiscal year, registration totaled 95 manufacturers and importers, 811 cigarette and tobacco products distributors, 411 cigarette and tobacco products wholesalers, and 45,235 cigarette and tobacco products retailers. The Board administers the licensing program in cooperation with the Department of Health Services and the Office of the State Attorney General.

## **Cigarette and Tobacco Products Taxes**

Combined revenues for these taxes totaled \$1.09 billion in 2004-05, including \$1.03 billion from cigarettes and \$58.44 million from other tobacco products. At the end of June 2005, 1,811 taxpayers held permits under this program. This registration figure does not include California cigarette or tobacco product consumers who are required to pay tax on their out-of-state (Internet or mail order) purchases because they do not hold permits on an ongoing basis. Consumption data is found in Appendix Table 30B, on [page A-43](#).

## **Diesel and Use Fuel Taxes**

Combined revenues from diesel and use fuel taxes totaled \$532.06 million for 2004-05, including \$70.75 million from the interstate user tax.

**Diesel fuel tax.** There were 36,441 businesses and individuals registered for the diesel fuel tax program as of June 30, 2005. Most are registered for fuel tracking or refund purposes. One hundred twenty-eight diesel fuel suppliers paid more than 86 percent of the 2004-05 diesel fuel tax.

**Interstate user tax.** Most interstate motor carriers who travel on California highways pay the state's interstate user tax through the International Fuel Tax Agreement (IFTA), an agreement among 48 states and 10 Canadian provinces. The vast majority of IFTA revenue comes from diesel fuel use. There were 15,815 California-based IFTA licensees at the end of the fiscal year. Carriers who travel only between California and Mexico also pay the interstate user tax. There were 968 of these non-IFTA carriers registered as of June 30, 2005.

**Use fuel tax.** At the end of the fiscal year, 1,011 alternative fuel users and 197 fuel vendors were registered with the Board.



### **Electronic Waste Recycling Fee**

Revenue from this new fee totaled \$30.81 million in 2004-05. As of June 30, 2005, 32,830 retailers of specified new or refurbished electronic equipment were registered for this program. The Board administers the program for the California Integrated Waste Management Board in cooperation with the Department of Toxic Substances Control.

### **Emergency Telephone Users Surcharge**

Total revenues for 2004-05 were \$128.46 million. As of June 30, 2005, 519 telephone service suppliers and three consumers were registered with the Board.

### **Energy Resources Surcharge**

Revenues totaled \$64.43 million in 2004-05. At the end of the fiscal year, program registrants included 87 electric utilities and 23 public institutions, water districts, and irrigation districts.

### **Hazardous Substances Tax**

The Board administers five hazardous waste fee programs in cooperation with the Department of Toxic Substances Control. Fee revenues for 2004-05 and the number of businesses registered at the end of the fiscal year are shown below.

**Activity fees.** Revenue: \$455,000. Entities pay the fees based on permit applications and modifications and other applications. They are not required to be registered with the Board on an ongoing basis.

**Disposal fee.** Revenue: \$5.90 million; registered facilities: 10.

**Environmental fee.** Revenue: \$30.66 million; registered corporations: 42,551.

**Facility fee.** Revenue: \$5.11 million; registrants: 230 facilities.

**Generator fee.** Revenue: \$23.19 million; registrants: 6,798 fee payers with a total of 17,021 sites in the state.

### **Insurance Tax**

Revenue from this tax, levied against insurance companies in lieu of most other California taxes, totaled \$1.97 billion for 2004 business. As of June 30, 2005, 1,921 insurance companies were registered to pay the tax and 441 surplus line brokers were registered for administrative purposes. The Board, the State Controller's Office, and the Department of Insurance share administrative responsibilities.



### **Mariposa Grove**

President Theodore Roosevelt visits the Mariposa Grove in 1903. During this trip to the Yosemite area Mr. Roosevelt camped with John Muir near Glacier Point for three days. Mr. Muir convinced him to take control of the valley and the Grove away from California and give it to the federal government. In 1906 Roosevelt signed a bill to accomplish exactly that.

### **Integrated Waste Management Fee**

Revenues totaled \$56.48 million in 2004-05. As of June 30, 2005, 178 facilities were registered for the fee, which is jointly administered by the Board and the Integrated Waste Management Board.

### **Marine Invasive Species Fee**

Revenue for this program, administered in conjunction with the State Lands Commission, totaled \$3.52 million for 2004-05. Registration totaled 2,631 as of June 30, 2005. Prior to January 1, 2004, the fee was known as the ballast water management fee.

### **Motor Vehicle Fuel Tax**

Motor vehicle fuel tax revenue totaled \$2.86 billion for 2004-05. There were 244 businesses registered in the program at the end of the fiscal year: 115 suppliers and 129 other accounts.

**Aircraft jet fuel tax.** Aircraft jet fuel tax collections for the year totaled \$2.57 million, based on the taxable sale or use of 144.3 million gallons of jet fuel. As of June 30, 2005, 221 jet fuel dealers were registered with the Board.



### **Natural Gas Surcharge**

Surcharge revenue totaled \$301.38 million in 2004-05. As of June 30, 2005, nine public utility gas corporations and four consumers who purchase gas through interstate pipelines were registered for the program.

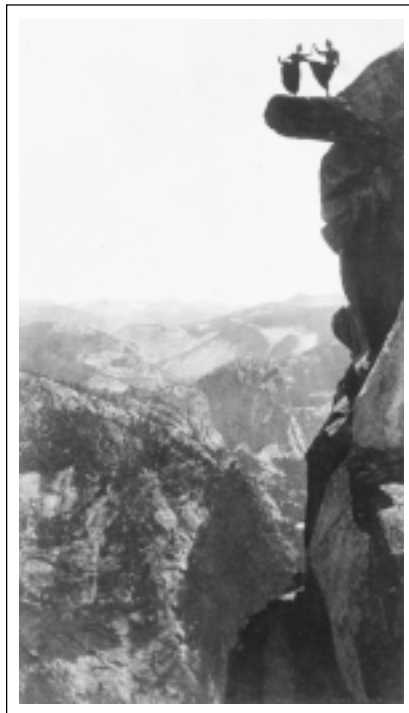
### **Occupational Lead Poisoning Prevention Fee**

Total revenues for 2004-05 were \$2.99 million. At the end of the fiscal year, registration totaled 17,161 businesses. The Board works with the Department of Health Services in administering this fee program.

### **Oil Spill Response, Prevention, and Administration Fees**

**Oil spill response fee.** Oil spill response fees were not collected from the 36 program registrants in 2004-05 because the Oil Spill Response Trust Fund reached its maximum \$50 million level in 1991-92. The Board administers the fee in cooperation with the Department of Fish and Game.

**Oil spill prevention and administration fee.** Revenues for 2004-05 totaled \$27.56 million. The number of registrants for the program totaled 31 at the end of the fiscal year.



---

#### **Kitty Tatch**

Waitress Kitty Tatch and friend, of San Francisco, pose atop Glacier Point for this photograph taken in 1900 by George Fiske. The two often posed for Fiske and other photographers. Ms. Tatch gained notoriety when many of her photographs were used on post-cards.



### **Underground Storage Tank Maintenance Fee**

Revenues totaled \$217.98 million in 2004-05. As of June 30, 2005, 6,934 feepayers with 12,641 tank locations were registered for this program, which the Board administers in cooperation with the State Water Resources Control Board.

### **Water Rights Fee**

Revenues totaled \$6.97 million in 2004-05. As of June 30, 2005, 13,573 feepayers were registered for this program, which is administered in cooperation with the State Water Resources Control Board.

## **Operations**

Staff in the Board's Fuel Taxes Division and the Excise Taxes and Fees Division provide direct assistance to the businesses that pay special taxes and fees. The Board processed 300,300 special taxes program returns during the 2004-05 fiscal year, including 105,476 environmental program returns, 85,459 excise tax returns, and 109,365 fuel tax returns.

### **Audits**

Staff in the Fuel Taxes Division and the Excise Taxes and Fees Division have the primary responsibility for auditing special taxes program accounts. This year, special taxes audits revealed more than \$35.4 million in net tax and fee deficiencies. The audit staff identified more than \$17.9 million in refunds due.

### **Compliance Activities**

Board compliance staff ensure proper registering and licensing of businesses, assist taxpayers in interpreting tax and fee laws and regulations, and provide help with tax and fee returns. Compliance staff also collect delinquent tax and fee payments while referring suspected tax evasion or fraud cases to the agency's Investigations Division.

### **Fuel Tax Compliance**

Board staff members at California Highway Patrol (CHP) Truck Inspection Facilities enforce the state's fuel tax laws. They ensure that motor carriers traveling into California without current fuel tax licenses or fuel trip permits are brought into compliance before traveling on the state's highways. Staff assess penalties for noncompliance and collect





outstanding taxes. Board personnel at the CHP inspection facilities also identify goods and equipment being shipped into California that may be subject to sales or use tax.

## Cigarette Tax Compliance and Enforcement

According to current Board estimates, cigarette tax evasion costs California up to \$292 million a year in unpaid tax. A significant portion of the loss is due to the use of counterfeit cigarette tax stamps. This fiscal year, Board staff worked with vendors in developing a new, high-tech, counterfeit-resistant tax stamp, as required by Senate Bill 1701 (Stats. 2002, ch. 881). The stamp features encrypted data that can be read only with a special electronic scanner. Use of the stamp is expected to dramatically reduce the tax loss from counterfeit cigarette stamps while making it easy for vendors to identify properly taxed products.

In addition to developing the new stamp, staff in the Board's Excise Taxes Section continued their efforts to identify out-of-state sellers who sell and ship cigarettes to California consumers. Those consumers are liable for the excise and use taxes on their purchases.

## Appeals

The Board's administrative appeals process is available for those who disagree with audit results or other Board decisions regarding the application of a tax or fee. For details on 2004-05 appeals, see "Appeals," which begins on [page 51](#).



### Early Campers

Posed in front of their tent, horse, and buggy, these campers stop chores for this 1906 photograph. From left to right, they are Mrs. Jones, Cathilin Jones, Lavoy Landis, Sallie Biddle, and Herbert Landis.



## Court Decisions

There were no significant court decisions for special taxes programs in 2004-05.

## Legislation

### California Tire Fee Increase

Increases the California tire fee from \$1 to \$1.75 per tire, until December 31, 2006, and decreases the fee after that date to \$1.50. Beginning January 1, 2015, the fee decreases to 75 cents per tire. In addition, a retail seller's reimbursement for any costs associated with the collection of the fee decreases from 3 percent to 1.5 percent, until December 31, 2014.

*Assembly Bill 923, Chapter 707, Statutes of 2004; effective January 1, 2005*

### Underground Storage Tank Maintenance Fee Increase

Increases the underground storage tank maintenance fee by an additional \$0.001 mill per gallon of petroleum stored, on or after January 1, 2005, and by an additional \$0.001 mill per gallon of petroleum stored, on or after January 1, 2006.

*Assembly Bill 1906, Chapter 774, Statutes of 2004; effective January 1, 2005*

### Covered Electronic Waste Recycling Fee

Makes a number of clarifying changes to the Electronic Waste Recycling Act of 2003, including requiring the Board to administer and collect the electronic waste recycling fee, revising the start date for the fee to January 1, 2005, and clarifying the imposition of the fee.

*Senate Bill 50, Chapter 863, Statutes of 2004; effective September 29, 2004*

## Regulations

The Board did not adopt or amend any special tax or fee program regulations in 2004-05.